



Department of Justice

FOR IMMEDIATE RELEASE
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AT
(202) 616-2771
TDD (202) 514-1888

**JUSTICE DEPARTMENT ALLOWS JOINT PURCHASING
OF ELECTRIC POWER BY GROUP OF CALIFORNIA
MANUFACTURERS**

WASHINGTON, D.C. -- The Department of Justice today approved a proposal by the California Large Electric Power Purchasing Association ("CLEPPA") to allow cement and steel manufacturers to purchase some or all of their electric power needs through a joint purchasing agent.

The proposed joint purchasing agreement is a response to deregulatory actions taken by the State of California that will allow consumers, as of January 1, 1998, to choose between purchasing their electric power from a local utility distributor under regulated rates or from competing suppliers at negotiated rates. To date, California consumers of electric power generally purchase their electric power needs from a public utility whose rates are regulated.

According to the proposal, CLEPPA's members will retain the right to purchase some or all of their electric power needs on an individual basis, and will conduct all other aspects of their production, marketing and sales operations independently.

The joint purchasing will be conducted by an independent agent, unrelated to CLEPPA's members. The independent agent

will collect from individual members information about their electric power needs and negotiate purchases on behalf of the group. While individual members will be prohibited from communicating competitively sensitive information among themselves, they may consult with their independent agent who will provide information necessary to enable individual members to determine whether they wish to participate in a particular joint purchase.

The members of CLEPPA will include the eight cement manufacturers located in California and three steel product manufacturers located in that state.

Under the new deregulation, CLEPPA's members feel that their joint purchasing agreement will provide them with a lower cost for electric power than they could obtain on an individual basis. The Department's decision was stated in a business review letter issued by Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division.

Klein concluded that it was unlikely CLEPPA would be able to exercise any market power with respect to the purchase of electric power.

"Even if it purchased all of its members' needs, it would account for less than one percent of all electric power consumed in California and less than four percent of electric power consumed for industrial use in the state." Klein also noted the proposed joint purchasing agreement would not likely lessen price rivalry among the members.

In addition, Klein observed that reducing the cost of electric power to CLEPPA's members, could result in a procompetitive effect of increasing output to the benefit of consumers.

Under the Department's business review procedure, a person or organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the activity as a violation of federal antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Washington, D.C. 20530. After a 30-day waiting period, the document supporting the business review will be added to the file.

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